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FEDERAL COMMUNICATIONS COMMISSION

Revision of FCC Form 324 - "Annual Financial Report of Networks and Licensees of Broadcast Stations" has been initiated recently by the Commission. Specific changes proposed include: deleting the requirement that employment and tangible asset data be reported; restructuring the income statement and clarifying the definition of its line items to conform with generally accepted accounting principles and practices; and expanding information required on the income statement. Comment dates on the proposals will be announced at a later date. For additional information contact Alan Stillwell at 202/632-6302.

FEDERAL RESERVE BOARD

A draft revision of Regulation Z, which implements the Truth in Lending Act and a request for public comment on the proposed streamlined and simplified regulation through 7/31/80 had been issued by the Board. The proposed revision would make nearly a dozen major simplifying and clarifying changes in Regulation Z in conformity with the Truth in Lending Simplification and Reform Act which became law on 3/31/80. Additionally, the Board issued model disclosure forms and language aimed at giving creditors a ready-made means of complying with the requirements of the Truth in Lending Act and Regulation Z and thereby assure borrowers of a higher level of compliance. The Board noted further, that the proposed revision of Regulation Z would reduce required disclosures from 24 to 12; and allow consumers to make advertising-like disclosures of the creditor's representative credit terms. Comments are requested by 7/31/80 and should refer to docket number R-0288. For additional information contact Robert Plows at 202/452-3667.

INTERIOR, DEPARTMENT OF

Federal royalty oil, including oil production from the National Petroleum Reserve and royalties from Federal Leases is subject to excise tax under temporary tax regulations on windfall profit from domestically produced crude oil (see the 4/30/80 Fed. Reg., pp.28824-26). The temporary tax regulations were issued on 4/4/80 to conform to the Crude Oil Windfall Profit Tax Act of 1980. The notice provides interim guidance to federal lessees and operators and to first purchasers of oil from federal leases so that their payments to the Geological Survey will be in compliance with the regulations. The interim notice is effective 4/24/80, comments are requested by 5/30/80. For additional information contact Billy Shoger for onshore oil at 703/860-7535 and Gerald Rhodes for offshore oil at 703/860-7531.

INTERSTATE COMMERCE COMMISSION

A proposal to eliminate the Commission's regulations governing passes and free transportation for railroads, water carriers and motor carriers, originally issued in 1911, appeared in the 5/1/80 Fed. Reg., pp.29104-05. The proposed rule would reduce additional recordkeeping for passenger carriers under long standing regulations for the Commission. Comments are requested by 6/16/80. For additional information contact Bryan Brown at 202/275-7448.

The Commission intends to replace its current procedures for filing of railroad general rate increases (see the 5/1/80 Fed. Reg., pp.29103-04). It intends to establish a zone of reasonableness within which increased costs could be recovered without challenge. The top of the zone would be the average increase in rail carrier cost. The purpose of the proposal is to reduce filing and reporting burdens on carriers and foster an environment in which carriers can respond quickly to changes in market conditions. Comments are requested by 6/2/80. For additional information contact Richard Felder at 202/275-7693.

HR 7110, the "Rail Act of 1980" is tentatively scheduled for consideration by the House Committee on Interstate and Foreign Commerce this week, just two weeks since its initial introduction by Rep. James Florio (D-NJ), Chairman of the Subcommittee on Transportation and Commerce (see the 4/28/80 Wash. Rpt.). Title IV of the bill contains cost accounting standards and provisions, including a railroad accounting standards board. Title IV was not amended by the Subcommittee mark-up last week.

LABOR, DEPARTMENT OF

Mandatory coverage of multiemployer pension plans under the plan termination insurance program directed by ERISA has been delayed for 30 days from its original 5/1/80 deadline. HR 7140 passed the House on 4/28/80, the Senate on 4/29/80 and was signed by the President as P.L. 96-239 on 4/30/80.

SECURITIES AND EXCHANGE COMMISSION

Exclusion of accountants from Section 11(a) liability, Securities Act of 1933, for reports of unaudited supplementary information as to the effects of changing prices and as to oil and gas reserves, could occur if SEC proposed amendments are adopted. The Commission is proposing for comment, amendments to a rule which would provide that a "report" prepared or certified by an accountant within the meaning of Sections 7 and 11 of the 1933 Act shall not include a report by an independent accountant on two types of unaudited supplementary financial information included in a document containing financial statements. According to the SEC, this proposed exclusion, if adopted, will encourage the Auditing Standards Board of the AICPA to require explicit reporting by auditors for the year 1980. It is the view of the SEC that the proposed amendments, would be inoperable unless auditors are required to state in explicit reports on this supplementary information whether or not they are aware of any material modification that should be made to the information for it to conform with guidelines established by the FASB or the SEC. Comments on the 4/30/80 SEC Release No. 33-6208 should be received by the SEC on or before 6/30/80. For further information contact Linda Griggs at 202/272-2130.

An SEC staff increase from 2100 to 2500 employees by FY 1983 and funding for a new Market Oversight Surveillance System (MOSS), received a sympathetic hearing from the Consumer Protection and Finance Subcommittee, Committee on Interstate and Foreign Commerce on 5/1/80. Subcommittee members, by unanimous vote, agreed to almost all of the SEC's budget requests for FY 1981-83. The only cut resulted from a proposal by Rep. Mathew Rinaldo (R-NJ) which restricted the third phase of the three-part "MOSS" program by requiring the SEC to return to Congress for additional funds at a later date. Participants, including the SEC, agreed that the level 3 program would have a substantial effect on the securities industry. Level 3 would contain information on unexecuted limit stock orders and was criticized by securities industry representatives as a potential composite limit order trading device. Each major exchange currently maintains its own such file which provides a substantial source of revenue. The House Subcommittee Action reduced the SEC "MOSS" requested by about 35% for FY 1982-83. The Senate is expected to take a similar approach to the SEC requests in a Banking Committee mark-up this week.

The SEC has selected Legrand C. Kirby, III, CPA, a partner with the Dallas office of Arthur Young & Company to succeed Stephen Golub, CPA, as Deputy Chief Accountant of the SEC. Mr. Kirby, a member of the American Institute of CPA's, will assume his position on 7/1/80.

TREASURY, DEPARTMENT OF

Selection methods and scoring systems for spotting suspect tax returns will become available to the public under the Freedom of Information Act by vitue of a recent U.S. Supreme Court decision not to review a lower court decision. The Taxpayer Compliance Measurement Program (TCMP) is a program devised by the IRS to assist it in the selection of tax returns to measure compliance with the Federal tax laws. The high Court apparently agreed with the individuals who originally sought access to the IRS data. These individuals argued that there was no evidence that disclosure of the "TCMP" records would have an adverse effect on the IRS' compliance enforcement program. IRS Commissioner Kurtz is believed to be in continued disagreement with the decision and is reported as contemplating a legislative solution which would allow the IRS to maintain the confidentiality of the records in question.

Revisions in the classification, asset guidelines periods, asset depreciation ranges and annual repair allowance percentages for assets used in wholesale and retail trade, personal and professional services and marketing of petroleum and petroleum products were issued 4/28/80 by the Treasury Department. The effect of the changes generally will be to shorten most asset guideline periods and increase the annual asset guideline repair allowance percentage. The changes are incorporated in Revenue Procedure 80-14, published in Internal Revenue Bulletin No. 1980-17 on 4/28/80, and are effective for property placed in service in taxable years ending on or after 4/28/80, for taxpayers electing the Class Life Asset Depreciation Range System.

House Ways and Means Committee members were less than enthusiastic about the Carter Administration's proposal for a flat 15% withholding tax on dividend and interest income at hearings held 4/30/80 and 5/1/80. At the 4/30/80 hearing, Treasury Secretary G. William Miller spelled out in broad detail the proposal which the Administration expects will increase revenues by about $3.4 billion in fiscal 1981. Of that, $2.4 billion would result from speeded up payments to the Treasury and the remaining $1 billion would represent payments from those who incorrectly report or fail to report dividend and interest income. Miller's major argument for the proposal was that it would "avoid needless loss to the Treasury of billions of dollars due under present tax laws" and that "underreporting of interest dividend income is no longer a problem we can afford to ignore." At the 5/1/80 hearings, Representatives Steven Symms (R-Idaho), Adam Benjamin (D-Ind) and Jim Courter (R-NJ) all testified asking the panel to reject the proposal which they contend would counteract initiatives aimed at increasing investment and savings. Representatives of the banking industry testified on 4/30/80 arguing against the proposal maintaining it would substantially increase the costs for businesses and savings institutions, adversely impact the elderly and poor, provide the government with massive interest free loans from over withholding and counter the Congressional efforts to increase savings and investment by the phase out of Regulation Q and the windfall profits tax legislation. Securities industry representatives also testified against the proposal citing increased costs to the industry and excessive withholding on income which may not be taxable.

Establishment of, and participation in, qualified legal services plans is the subject of proposed rulemaking recently issued by the Internal Revenue Service (see the 4/29/80 Fed. Reg., pp.28360-65). The proposed amendments would add two sections, 1.120 and 1.120.2 under 26 CFR Part 1. Section 1.120-1 provides for the exclusion from an employees gross income of amounts contributed by the employer and amounts paid to the employee as reimbursement for legal services and the value of legal services provided to the employer. Section 1.120-2 deals with the requirements for a "qualified plan" including non-discrimination in employers contributions, plan benefits and eligibility for participation. Written comments are requested by 6/30/80. For additional information contact Richard Johnson, at 202/566-3544.

Public guidance for compliance with changes to the work incentive program (WIN) credit made by the Revenue Act of 1978, the Act of 1/2/80, and the Technical Corrections Act of 1979 is the intention of IRS proposed regulations issued this week (see the 4/30/80 Fed. Reg., pp.28758-65). The amendments reflect the increase in the credit to 50% of first year WIN expenses and 25% of second year expenses and 35% of first year expenses for non-business eligible employees. The proposal also reflects changes in section 50B of the IRS Code defining first and second year WIN expenses and setting a limit of $6,000 to the amount of WIN expenses that may be taken into account for any eligible employee in either one year period. Comments are requested by 6/30/80. For additional information contact Barbara Coughlin at 202/566-6018.

IRS has recently announced the appointment of Philip E. Coates, CPA, as Assistant Commissioner for Compliance. He succeeds Singleton B. Wolfe, who retired. Mr. Coates will oversee all IRS compliance activities, including examination of tax returns, investigation of criminal tax offenses, collection of delinquent taxes, and administrative appeals system and the IRS Office of International Operations. Mr. Coates began his IRS career in 1952 holding a series of increasingly responsible positions. In 1977 until his present appointment, he served as Regional Commissioner for the IRS North Atlantic Region headquartered in New York City. Mr. Coates holds a bachelor's degree in business administration, from Concord College in West Virginia, and has done graduate work in accounting, law and public administration. He is a member of the American Institute of CPAs.

SPECIAL: CPA's RECEIVE PRAISE AND THANKS FROM THE PRESIDENT

Representatives of 14 major CPA firms and the AICPA accepted an invitation to meet with Council on Wage and Price Stability Chairman Alfred Kahn at the White House last week and then had the opportunity to meet with President Carter and Treasury Secretary Miller. President Carter personally praised and thanked the profession and the AICPA for their efforts in the Administration's fight against inflation, particularly the volunteer work done on behalf of the CWPS. The President also took the occasion to reaffirm his belief that the Nation had turned the corner on inflation and repeated his commitment to avoid imposition of mandatory wage and price controls.

For additional information contact:
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